

**HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
HOWARD COUNTY RETIREMENT PLAN**

JOINT MEETING OF THE RETIREMENT PLAN COMMITTEES

January 22, 2015

A joint meeting of the Retirement Plan Committees for the Howard County Police and Fire Employees' Retirement Plan (the "Police and Fire Plan") and the Howard County Retirement Plan (the "Employees Plan") (jointly, the "Plans") was held on Thursday, January 22, 2015 at 1:30 p.m. in the Columbia/Ellicott City Room at the George Howard Building, 3430 Court House Drive, Ellicott City, Maryland 21043.

Police and Fire Plan:

Members Present:

Acting Human Resources Administrator: Wanda Hutchinson
Chief Administrative Officer: Lonnie Robbins
Director of Finance: Stanley Milesky
Budget Director: Holly Sun
Representative, Police Department Supervisory Employees:
 Jason Luckenbaugh (Non-Voting Member in Fiscal Year 2015)
Representative, Fire and Rescue Supervisory Employees:
 Joseph L. Calo, II (Voting Member in Fiscal Year 2015)
Representative, Howard County Police Officers' Association, Lodge 21:
 Mark Thomey
Representative, International Association of Firefighters, Local 2000:
 Richard Ruehl

Employees Plan:

Members Present:

Acting Human Resources Administrator: Wanda Hutchinson
Chief Administrative Officer: Lonnie Robbins
Deputy Director of Finance: Rafiu Ighile
Budget Director: Holly Sun
Employee Representative: Jeff Bronow
Representative, American Federation of State, County and
 Municipal Employees Local 3080: Kim Drennon
Representative, American Federation of State, County and Municipal
 Employees Local 3085: Dale R. Chase

Also present for all or a portion of the meeting were:

Steve Peters, County Auditor's Office
Sima Taghavi, Department of Finance
Eric Ralph, Summit Strategies Group
Paul W. Madden, Whiteford, Taylor & Preston L.L.P.
Scott Southern, Retirement Assistant, Office of Human Resources
Chuck Lindenberg, Representative of Local 3085
Angela Price, Department of Finance

Wanda Hutchinson acted as Chair of the meeting and Paul Madden acted as Secretary. Wanda welcomed Holly Sun, the new County Budget Director, to the Joint Committee. Holly will be a member of both Committees.

The minutes of the December 3, 2014 meeting were unanimously approved by the members of both Committees.

Next, Eric Ralph led a continuing discussion of Summit Strategies' asset liability study. In particular, Eric reviewed a stochastic analysis for five model portfolios, including the current target portfolio, a portfolio with slightly higher return and lower risk, a portfolio with similar return and lower risk, a portfolio with higher return and similar risk and a portfolio that includes hedge funds, emerging market debt and real assets. Eric identified Summit's recommendation as portfolio C-2 which provides an expected return over a 10 year horizon that is 20 basis points per year higher than the target portfolio and has a standard deviation which is 10 basis points higher than the target portfolio. Using the stochastic analysis, Eric illustrated the best case, expected case and worse case for each portfolio. The expected case for the recommended portfolio would result in a funded status for the combined plans of 100% as of July 1, 2024.

The recommended portfolio reduces the allocation to public equities from 45% to 40% and reduces the allocation to fixed income from 32.5% to 25%. The recommended portfolio adds a 5% allocation to emerging market debt, increases the allocation to real assets from 5% to 7.5% and increases the allocation to hedge funds from 7.5% to 12.5%.

Eric compared the asset allocation of the recommended portfolio with the peer universe consisting of U.S. public pension funds with between \$500 million and \$1 billion in assets. The recommended portfolio has a lower allocation to U.S. equities (20% vs. 41%) and a higher allocation to hedge funds (12.5% vs. 3%) and private equity (10% vs. 2%) than the public fund universe. Eric noted that pension funds with assets in excess of \$1 billion have a higher exposure to hedge funds and private equity than the smaller funds.

Eric anticipates that adoption of the recommended asset allocation would result in two new managers. One manager specializing in emerging market debt and the other manager specializing in real assets.

After discussion, and on motion duly made, recommended and unanimously approved it was

RESOLVED that the Joint Committee unanimously recommends the following asset allocation for the Master Trust:

Asset Class	Allocation
U.S. Equity	20%
International Equity	13%
Emerging Market Equity	7%
Fixed Income	25%
Emerging Market Debt	5%
Private Equity	10%
Hedge Funds	12.5%
Real Assets	7.5%

Eric and Paul Madden will prepare revisions to the Investment Policy Statement to change the asset allocation.

Next, Eric reviewed the fee structure for managers hired by the Master Trust and compared their management fees with the median management fee based on data compiled by Evestment Alliance. Of the 12 managers in the Evestment data base, 11 managers have a management fee which is below median. The only exception is the PIMCO Total Return fund which has a management fee of 35 basis points as compared to the median management fee of 30 basis points. Eric noted that PIMCO intends to add an incentive fee which may result in a lower fee for the Master Trust. Eric will follow up on this with the Joint Committee as soon as PIMCO has a proposal.

Next, Dan Kenney and Tiwa Turton of Cohn Reznick presented the audited financial statements and the "Communication with those Charged with Governance" for the Police and Fire Plan and the Employees Plan. Dan indicated that Cohn Reznick has issued clean opinions on both Plans. Tiwa Turton reviewed the risk based audit approach and Dan Kenney reviewed statistical analyses for each Plan.

Dan noted that for the first time, financial statements were made under GASB No. 67. Under GASB No. 67, the County's net pension liability for the Police and Fire Plan at June 30, 2014 was \$82 million. The Plan fiduciary net position as a percentage of total pension liability was 83.35%. The County's net pension liability for the Employees Plan as of June 30, 2014 was \$29.2 million and the Plan's fiduciary net position as a percentage of the total pension liability was 92.07%.

Paul Madden noted that the current determination letters for the Police and Fire Plan and the Employees Plan will expire on January 31, 2016. Paul explained the determination letter process and the reasons for seeking a determination letter. It was the consensus of the

Joint Committee that Whiteford, Taylor & Preston should proceed with preparation of determination letter requests.

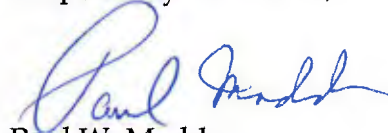
Fiduciary training was postponed until the February meeting.

At 3:49 p.m., a motion was made by Rafiu Ighile and seconded by Jeff Bronow to close the meeting pursuant to State Government Article Section 10-508(a)(1)(ii) to discuss a personnel matter that affects one or more specific individuals and pursuant to Section 10-508(a)(7) to consult with legal counsel to obtain legal advice on a legal matter. All voting members voted in favor of the motion. There were no negative votes, abstentions or absences.

At this point, Eric Ralph, members of the Police and Fire Plan and other County employees left the meeting. Gary Kuc, Paul Madden, Terry Reider and Scott Southern remained present at the request of the Committee. During the closed session, the Committee discussed a disability appeal being filed by a Plan participant. An extension of the date for the appeal hearing was approved by the Committee. At this point, the closed meeting was adjourned.

There being no further business, the joint meeting adjourned at 4:15 p.m.

Respectfully submitted,



Paul W. Madden
Secretary of the Meeting